

EXHIBIT MM

**TO DECLARATION OF MATTHEW D. BROWN
IN SUPPORT OF FACEBOOK, INC.'S OPPOSITION
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Facebook risks annoying users with mobile ad push

By

Aline Drucker Fornaris, a lawyer in Miami, is on the front lines of Facebook's new effort to put advertising on mobile devices.

When she logs on to the social-networking site from her BlackBerry or iPad, she sees ads for Caribbean travel deals and a local clothing boutique. Facebook used to have ads only in the personal-computer version, not the mobile apps, and Drucker Fornaris isn't happy about the change.

The ads are "incredibly annoying," she said.

Facebook wants to avoid that reaction as it looks to mobile advertising for its next wave of growth. The social-networking service has about 425 million mobile users, more than half its total membership, and advertisers are eager to target them. The challenge is to do it without overwhelming people.

"The interest is very high — the advertisers are more than willing," said Marco Veremis, president of Upstream Systems, which provides mobile-advertising technology to clients such as Coca-Cola and Nestle. But "mobile is a lot more personal and intimate. The danger of someone being angry over invasion of privacy is at the top of the mind."

Jonathan Thaw, a spokesman for Menlo Park, Calif.-based Facebook, declined to comment.

Facebook is challenging Google, the leading seller of ad space on mobile devices. The total mobile-ad industry may bring in almost \$11 billion in revenue by 2016 in the United States alone, up from \$2.61 billion this year, according to research firm eMarketer. So far, Google accounts for more than 50 percent of those ads, making \$750 million in sales for the Mountain View, Calif.-based company last year, eMarketer estimates.

Starting March 1, Facebook began allowing brands that people "like" to send messages and ads to those users' mobile news feeds. If the user then comments or "likes" an item, the person's friends also get those promotions on their own phones and tablets, whether they asked for them or not. The world's largest social network, which filed for an initial public offering last month, is counting on mobile ads to bring in new revenue and reassure investors that it can maintain growth.

If Facebook and its advertisers can work through the challenges, the payoff may be bigger than what the company gets from its traditional PC ads, according to Colby Atwood, president of consulting firm Borrell Associates. Facebook could generate more than \$1.2 billion from mobile ads in the program's first year, estimates another firm, Mobile Squared.

While Google has drawn criticism over how it collects personal data, it relies on more straightforward advertising than Facebook — running Internet-search ads or graphical commercials within applications, for instance. Facebook's approach counts in part on its members promoting companies among their friends. Facebook members who "like" brands may not realize their preferences are used as the basis for advertising sent to other

people. "It certainly does set off some creepy factor," said Parker Higgins, an activist at the nonprofit Electronic Frontier Foundation in San Francisco. "It does feel intrusive, and people may be upset."

As of last month's IPO filing, Facebook made no ad revenue from its mobile service. The new expansion could bolster its case with shareholders as it seeks a valuation that people familiar with the matter peg at as much as \$100 billion.

While advertisers have shown interest in the mobile approach, users are more resistant. About 67 percent of Americans would find it unacceptable to receive unsolicited ads on their phone, according to a survey of 2,105 U.S. consumers commissioned by Upstream.

When unveiled this year, the mobile-ad push was presented as a way to provide promotions and offers that users would want. The ads, called Sponsored Stories, began appearing in the U.S. on the iPhone, Android devices and Facebook's mobile website at the beginning of March.

"Our vision is that interaction on Facebook with a brand is as exciting as it is with family," Chris Cox, vice president of product at Facebook, said last month at the company's FMC conference for marketers in New York. Many users aren't bothered by the Sponsored Stories.

"It makes me feel like I am in touch with the brands that I like," said Christopher Brown IV, 40, a Chicagoan who handles internal communications for a financial company. He has "liked" such brands as the Four Seasons, BMW and Gucci and says, "It doesn't come across as an advertisement."

Even so, the Facebook friends who view the ads aren't the ones who clicked "like" in the first place. That irritates Drucker Fornaris, who nevertheless said, "It hasn't gotten to the point where I'd want to quit Facebook."

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